



Department of Justice

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**JUSTICE DEPARTMENT FILES LAWSUIT AGAINST
DAIRY FARMERS OF AMERICA INC. AND SOUTHERN BELLE DAIRY CO. LLC
TO RESTORE COMPETITION IN SCHOOL MILK SALES**

***Suit Seeks to Prevent Higher Milk Prices in More than 100 School Districts
in Kentucky and Tennessee***

WASHINGTON, D.C. – The Department of Justice today filed a civil antitrust lawsuit against Dairy Farmers of America Inc. (DFA) and Southern Belle Dairy Co. LLC to compel DFA to divest its interests in Southern Belle Dairy in order to prevent higher milk prices in more than 100 school districts in Kentucky and Tennessee. The Department said DFA's acquisition eliminates the only other independent bidder for school milk--resulting in a monopoly--in 47 school districts, and reduces the number of independent bidders from three to two in 54 school districts, in Kentucky and Tennessee. The Commonwealth of Kentucky joined the Department's Antitrust Division in bringing the lawsuit.

"Prior to the acquisition, the competitive rivalry between these two dairies produced lower prices and higher quality service, to the benefit of schools and school children. By acquiring Southern Belle, DFA has eliminated or reduced that competition for many school districts in Kentucky and Tennessee," said R. Hewitt Pate, Acting Assistant Attorney General of the Department's Antitrust Division. "The Division seeks to restore this competition."

Prior to the 2002 acquisition, DFA, through its subsidiaries, operated the Flav-O-Rich Dairy based in London, Kentucky, and competed head-to-head against Southern Belle, located 30 miles away in Somerset, Kentucky, to supply school milk to school districts in the eastern two-thirds of Kentucky and in Tennessee.

The complaint, filed in U.S. District Court in London, Kentucky, states that the history in this industry has demonstrated that fewer competitors result in higher prices. Many school districts in this region of the country had to pay higher prices when they were victims of a criminal conspiracy between Southern Belle and Flav-O-Rich, both under prior owners. In 1992, Southern Belle and Flav-O-Rich pleaded guilty to criminal antitrust bid rigging charges involving milk sold to schools in Kentucky and admitted to a 10-year bid allocation conspiracy. Southern Belle paid a \$375,000 criminal fine and Flav-O-Rich paid a \$1 million criminal fine for their involvement in those conspiracies. The current acquisition threatens increased prices and poorer services in many of the same school districts.

DFA, based in Kansas City, Missouri, is the largest dairy farmer cooperative in the world and had more than \$7.9 billion in revenues in 2001. Through its partially owned subsidiaries, DFA controls more than 40 dairies in the United States. DFA owns a 50 percent common equity interest and a 92 percent preferred equity interest in National Dairy Holdings L.P. (NDH), which owns the Flav-O-Rich Dairy in London, Kentucky. In February 2002, DFA acquired a 50 percent common equity interest and 100 percent credit interest in Southern Belle.

The transaction was not subject to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, which requires companies to notify and provide information to the Division and Federal Trade Commission before consummating certain acquisitions, because its dollar value fell below

the statutory threshold amount. As a result, the Division did not learn about the acquisition until after it had been completed.

Southern Belle Dairy Co. LLC owns and operates a dairy in Somerset, Kentucky. Southern Belle processes approximately 25 million gallons of fluid milk per year and had annual revenues of approximately \$65 million in 2001.

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